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SUSTAINABLE DEVELOPMENT NETWORK

Economic and social development must be sustainable. By taking poor people out of poverty today, governments must not place them in even greater poverty tomorrow – the protection of the environment and our natural resources are paramount. Ian Johnson of the World Bank discusses what can be done in order to create human progress without destroying our environment.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues.

Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

If development is to become sustainable, human behaviour must change. Corporations, consumers and public agencies all need to switch away from activities that degrade the environment. Instead, they should invest in activities that conserve ecosystems for the future. Sometimes, such changes are motivated by moral concerns, but often incentives and consciousness raising are required.

Our guest today is Ian Johnson, Vice-President for the Environmentally and Socially Sustainable Development Network of the World Bank. Joining me to talk with Mr. Johnson is Bhaskar Menon of *International Documents Review* and Rob Watson of the *BBC*.

Mr. Johnson, welcome to **World Chronicle.**

JOHNSON: Thank you.

LITTLEJOHNS: Mr. Johnson, why Network? What does that mean?

JOHNSON: In the World Bank, we are moving towards a more matrix organization and we have a series of regional offices and then we have a series of thematic offices of which sustainable development is one. The notion of a network is to see whether we can utilize all of our expertise within the Bank in a network both to facilitate a learning within the institution but also outside it and it is much less compartmentalized view of the World Bank than we had some years ago. So that is really the idea of a network. It is a network of expertise and information.

LITTLEJOHNS: And are you working with the private sector as well as governments?

JOHNSON: We work with both private sector and governments. Obviously, the World Bank itself deals primarily with governments, but we do have the International Finance Corporation as part of the World Bank group which deals exclusively with the private sector. So our interest indeed, are reconciling environmental management

between public and private sector.

LITTLEJOHNS: And how do you go about encouraging attention to the environment in development?

JOHNSON: We have a number of ways. The first way for us is to try and ensure that all of our own lending, all of our own activities meet at least minimum environmental and social considerations. We have a series of what we call a safeguard policies which try to do that. We are relatively vigilant about putting – making sure that we do not have any slip-ups, obviously, occasionally we do. In addition, we have our intellectual advocacy work, our operational work, our work in terms of country dialogue, when we are talking to countries and advocating issues, we try to put at the forefront the issues of environment and social issues as they relate to development for today but also increasingly, I think, for tomorrow and for the longer term.

WATSON: One thing that would help me, I was actually bamboozled by all these things, particularly these titles so long – Vice President, head of the Environmentally and Social Sustainable Development – now it must be fun when you go to parties and get introduced. But what I am curious about is – you are explaining to Michael, this is a broad theme. Can you give me some examples of what your network is involved in – some specific things like in this country, where to invest and then another one that.

JOHNSON: Yes. First, it is a long title and one that deserves to be short. In fact just sustainable development would be ...

WATSON: Just the end.

JOHNSON: Just the end. We cover a broad range of activities but they include for example ensuring that minimum environmental safeguard and pollution control and an industrial or energy plants are maintained. It includes dialogue with governments about energy efficiency strategy or energy strategy, in general; it includes work on renewable energy in the energy sector. On natural resources, we are increasingly doing work on forests in terms of forest lending, lending for natural resource management, we are also looking at our own policies on forest policies: are we doing the right things; are we doing enough forest policy lending, etc. So it's a broad range of ...

WATSON: But I meant more in terms of say, some government has gone utterly bankrupt and they come to the World Bank and say, 'excuse me, we have spent all our money on lots of silly things. Please can we have a couple of billion dollars.' Is this the way it works that you kind of feed into the broader bit of the World Bank, well, don't lend them that money unless not only do they agree to make that kind of local banks but more sense who they lend money to that they also stop chopping down the old tree or two.

JOHNSON: If we take that as an example, if a country came to us, as you say, that are suffering in that way, we would start a discussion with the country that would be relatively broad-based. That would include issues of human development, issues of financial management, economic management and yes, indeed, environment management. I think the issue of conditions, perhaps it would vary from country to country, but we would certainly want a dialogue and some understanding of the protection of the environment, the protection of social issues, the protection of expenditure, say for education or health, and we see these as all fitting into the broad framework of sustainable development. It is not just about environment. It is a broader concept that affects all aspects of economic and social management.

MENON: To return to your long title, do you think it might be a bit misleading? Because essentially, what we are talking about is the sustainability of profits and rather than go all fuzzy and green in front of the world banking community, would it not be better to say the sustainability of profits?

JOHNSON: No.

MENON: Because, of course, if you are not sustainable socially or environmentally, you are not profitable.

JOHNSON: The issue here is not sustainability of profits, it is sustainable development. That is to say development that over time, maintains a certain level. One can make the case that certain investments are not financially profitable but in the long term, in terms of societal gain they are in effect very profitable. There are many areas we are discovering on environmental management which indeed are both financially profitable and socially profitable. Energy efficiency is one, pollution control, there are

many areas where we believe the fit between long term financial profitability and environmental and sustainable development are really ....

MENON: But the bank itself, the World Bank itself, makes a profit on every single loan.

JOHNSON: It makes a return on every loan.

MENON: It makes a return on every loan. Therefore, you are not making any unsustainable loans. You are not making any loans which say, 'okay, we will write off the profit on this merely because it is for a good purpose'.

JOHNSON: Financial sustainability is a very narrow definition of sustainability. We are really talking here of a much broader concept which is really being concerned about the draw down of the world's natural resource base – the soil, land, air, forests. We are also only being concerned increasingly about social issues, social safety nets, the levels of education ...

MENON: I do understand that. The point I was trying to make – and this a point I think you have made yourself but in a slightly different way is that, for instance, markets are all short term.

JOHNSON: Yes.

MENON: And nothing concentrates the mind of an investor as profit.

JOHNSON: Yes.

MENON: And if you point out that over the long term, he stands to lose -- oh, well, let me put it another way and ask you: how would you forecast the market on long term sustainable interest?

JOHNSON: I think that's a very good point. I think one of the great challenges we face -- in fact in the point I have made before -- is that markets are short term. They now operate in merely seconds, not even in minutes. And here we have a set of challenges which are about in some cases generational issues – protection of forests, for example. One of the great challenges we clearly have, is how to think about working with market based systems to ensure long term sustainability.

MENON: How would you do that?

JOHNSON: There have been a number of thoughts about this. One way is, if you look at the Climate Change Convention that's going, if indeed targets were agreed between developed and developing countries and who knows whether that will occur, but if there were targets, that could potentially form the basis for the development of a market-based trading mechanisms or market-based mechanisms to buy and sell carbon. That is certainly one example. Where there is clearly a real challenge is in, as you say, bio-diversity. Making bio-diversity pay for the long term is a very real challenge. But it's a challenge we have to look ...

MENON: How about an ordinary market hedges against fluctuations in the future? Is there any way of creating a financial instrument that would hedge against long term or for long term sustainability?

JOHNSON: I think it is worth looking at. I think one of the issues we have to be very honest about is that the short term gains from, let's say, chopping trees down, are so great and the short term gains from a farmer drawing down on the soil for this year and not for the next, say, five or ten or fifteen years are so great that we have to think about very carefully about what sorts of incentives. There have been many, many thoughts -- one of them is hedging and another is looking at tradeable permits as I say. I think there are some ideas but they are, it is fair to say, at the very nescient stage but if we don't look at these sorts of issues, we cannot ignore the market and that's quite clear.

WATSON: The governments on the normal issue of the short time gains, the government have a say to you -- look Mr. Johnson thanks very much for your nice bit of advice on sustainable development but our country -- our economy -- has just gone down the drain recently and we are worried about all these folks who are unemployed, so thanks but no thanks.

JOHNSON: Obviously, that's one view but it was quite interesting. One country which has suffered dramatically from floods just recently with a huge economic costs -- China -- just announced a few weeks ago that the primary cause of those floods, the primary cause of that economic cost which is enormous was degraded soils, loss of forest cover and poor watershed management. So increasingly I think there is a recognition that

these so-called long-term costs can come back to haunt you very quickly.

WATSON: You would think they are going to do anything about it.

JOHNSON: I believe they will put a lot of efforts to potentially restore some of these areas. But in some cases, it's a long -- the effort, the loss and the effects lasts a long term, because to restore some of these areas take time. But at least I think there is a wake-up call it seems to me that the loss of our natural heritage, our natural resource base in the world is beginning to impose short term costs. Indonesia is another example where the cost of soil loss, the cost of watershed loss, the cost of the forest fires, is a real cost to the economy but not in the usually long-term cost.

WATSON: Staying in that part of the world, though, has the reason financial crisis in Asia has that, to some extent, set back efforts to make development more environmentally sustainable?

JOHNSON: In the short-term and in other ways, it may well be providing a wake-up call. Many of the reasons for the financial crisis are not so far away from any of the reasons that we have an environmental crisis in Asia. Poor regulations, poor systemic management policies have also affected the environment. So, yes, there is obviously at the time of immediate crisis, it is fair to say environment will not be the first thing on the Finance Minister's mind. On the other hand, I think there is enough evidence to suggest that some concern about these longer term issues is very important and it is important today whether it's concerns over forest loss and the costs to the economy of Indonesia, the forest loss or watershed loss or whatever. These are very real costs. In terms of the crisis itself, there, in some sense, it has about a positive and a negative effect on the environment. The slow-down in public expenditures, the expenditures on environment are somewhat in the negative but the slow down in the economy and the fact that some industries that were just marginal and the subsidies now no longer are, are often the high-polluting industry. So in a sense there is a breathing space for many countries, not only to evaluate their financial policies but, I think, also to really think about the longer term.

MENON: One of the many alarming things I have heard about, perhaps you could throw more light on these, is that the environmental cost to China of its recent

economic growth in recent years has been going at 8 to 10 percent or a lot more. But the environmental cost of that growth is almost equal to the growth itself. The value of setting things right will cost China more than what it has grown. Is this true generally?

JOHNSON: Yes it is. The figures vary enormously but they all point to a huge loss. I have heard anywhere between 2 percent and 6 and 7 percent. So obviously, it is somewhere in that range even if when one takes the lower bound, 2%, that is an enormous cost. A very, very high cost whether it is in morbidity or early deaths or increased hospital bills or whatever. Those costs are tangible. They are not ....

MENON: One of the things that World Bank should be doing, should it not be clarifying this on a statistical basis because right now no one really knows what the cost is.

JOHNSON: Oh, we have done an enormous amount of work particularly on the cost of air pollution. Air pollution alone often accounts for 1 to 2 percent of GDP. That is why I say the range from 2 to 6 percent is to include some of the other issues.

MENON: Do you think it might be worst than just ...

LITTLEJOHNS: Just a minute please. This is **World Chronicle** our guest is Ian Johnson, Vice President for the Environmentally and Socially Sustainable Development Network of the World Bank.

MENON: I was saying that if air pollution itself can just account for two percent and if you take the cumulative effect on the environment of water and soil and early death and all that, perhaps, would it be more than the growth itself has ....

JOHNSON: I suspect that it would never be more but it is a substantial figure. It is a substantial real cost because the cost of early deaths, the health issues associated with respiratory disease, the additional hospital cost, etc., are very real cost, so they should be taken into account by countries and I believe very much that in Asia, the financial crisis is producing a new wake-up call to really rethink these issues.

MENON: One of the things that concerned you was that politicians have very short life span. They look forward to ....

WATSON: Sometimes they stay for as long as thirty years.

MENON: Yes, you are quite right but in a democratic system the projection of a

politician is fairly short term. Three to five years at the maximum. In that situation, how do you focus their attention on what needs to be done on the long term? Because they are essentially interested in getting re-elected.

JOHNSON: As I have said, one of the great challenges is how to make financial markets from short to long, how to make our economic analysis short to long and how to think about political analysis from short to long and certainly in many countries around the world, two to three years is a long time for politics. We have to be more advocacy minded. We have to look at what are the costs because what is happening, I think, is the long term is getting shorter and shorter so we are beginning to see the dramatic effect of poorer or sub-optimal natural resource management policies.

MENON: But when you talk to a politicians, as you must in your official capacity, what do you find? Do you find them basically dismissive or do you find them receptive.

JOHNSON: A mixture. There are a large number of politicians, a large number of parliamentarians who are now showing tremendous support and tremendous interest in these longer-term issues. There is, in fact, a group called GLOBE, which is a global alliance of parliamentarians all over the world which is very, very concerned about not just the short term, but the long term. One has to recognize that systems, government systems, are relatively short term.

LITTLEJOHNS: Mr. Johnson we talked about Asia and its problems, what about Latin America? I noticed that in a speech you made in Tokyo you mentioned that forest loss -- we have lost half the world's tropical forests during my lifetime, you said. Brazil, for example, has still been hacking away the Amazon rain forest. Have you been able to convince the Brazilians that it's time to lay off?

JOHNSON: We have at the moment, in the World Bank, a very major review of our forest policy and of our forest operation. We have about three or four billion dollars worth of investment in forest, depending on how one analyses it. We are looking very, very carefully, we are engaging a number of countries very systematically in an open debate about our own policy but also about the issues themselves and one of those

countries is certainly Brazil. I think it is one of the great challenges of the world. As I said in my speech, in my lifetime we have lost half of the forests and what will my children see in twenty, thirty, forty years' time. We really could be down to tropical forests at not much shorter, zoological gardens.

WATSON: What do you think your children are going to say?

JOHNSON: I think they will be bitterly disappointed in our generation that we really did not tackle these issues, number one. And number two, there is a very profound issue I believe and that is we are losing in these forests but elsewhere as well by diversity at an alarming rate and what we do understand about bio-diversity or diversity is that it helps in some sense instability and the less diverse we are as a world, the more unstable we may well be – ecologically unstable – and we have little idea of what the consequences of that are.

WATSON: Do you think things will be worse in your children's time than in your time? The world has come through our eyes – look we ought to stop these environmentally damaging developments or we will go to hell in a ham basket.

JOHNSON: Well, I am an optimist, I would not be in this job. I think it's a big challenge. I do think there are wake-up calls around the world. I do believe, particularly on forests, that there is some serious concern. It started very much I believe as an NGO issue. I think many governments are very concerned -- I think many, many people are very, very concerned. The question is whether we will have the political will – whether we will have -- can find the economic instruments and whether we can find the will -- of people living in these areas to really begin slowing down the destruction either through sustainable management practices or through alternative employment schemes. I think it's a big challenge and anyone should not underestimate that.

LITTLEJOHNS: You also mentioned the economic costs to producing clean water is, in many countries, greater than the economic costs of producing oil. What are you doing about that?

JOHNSON: There are several issues, as I said, with water. The first is the small amount of water that goes to drinking water is not infringing hugely on the water resource

base of the world. But of course we are not providing water with clean water at the pace that is needed to meet families' and children's needs and that is a very high priority. But that in some sense is not a huge infringement on the water resource base. It is more for energy and agriculture. We are increasingly getting involved in broader watershed management schemes and the funding of them rather than just simply treating an irrigation project here or a power project there. We are looking much more at watersheds. I think what you will see over the coming years is not only national strategies for watershed management and water resource management, but regional. I think one of them -- the next generation of water resource management schemes will a) be very large because they will be very, very costly. But secondly, I think they will require collective action amongst countries and I see that as an emerging area for the Bank. But in the Bank, we have indeed been financing many more of these broader water resource management schemes and I think that is the way ...

MENON: You mentioned Non-Governmental Organizations. Now, from what I have seen of NGOs, they are very, very critical of the World Bank and of its environmental record. Is this changing because of what you are doing? And to what extent are environmental concerns really affecting the work of the main body of World Bank staff?

JOHNSON: I suspect they are less critical today than they were a few years ago. The NGO movement, particularly environmental NGO movement I think has had a profound influence on environmental policies not just of the World Bank but of the private sector and the government, and governments around the world. It started as a very adversarial relationship and I think it has grown and particularly on environmental issues, I would make the case that we have a very good relationship with the NGO movement. We do not agree on everything with the NGOs, but we have a professional dialogue. They have been very instrumental in early warning, in identifying problems on some of our projects, very early to enable us to take action so while we have clearly occasionally in the last few years had differences of opinion, I personally take a lot of pride, myself, that we have developed a relationship with the NGO movement that is very, very professional.

MENON: How about the rest of the World Bank staff? Because one of the

things you mentioned in your Tokyo speech is the fact that you have to work on World Bank attitudes, of staff attitudes. To what extent is that a problem?

JOHNSON: Well, we are no different from a government or a large corporate sector. There is a wide range views. We have to convince our own staff of the needs to concentrate on sustainable development and particularly I think as you were saying in the midst of the financial crisis, in the midst of the short term, we have to say to our staff, you must also begin thinking about the building blocks for the long term and that's really what I meant by having to work on them -- on our staff. Also, many staff have had relatively little interaction with the NGOs – with the NGO community – and I think what they have, perhaps because it is historically been an adversarial relationship, the fact that that has changed, we now have to bring more of our staff to work with them.

WATSON: I don't know what the World Bank staff is like you told journalist something they normally don't take any notice -- do you think your staff are any different?

JOHNSON: I think we are different from journalists.

WATSON: If journalists were running the World Bank, there will be a financial crisis of massive proportions. On that issue, working for the World Bank these days is about as popular as being a dentist in medieval England or something.

JOHNSON: Well, I think that the toothache in medieval England you'll not look for a dentist.

WATSON: Have you been getting a lot of stick with the World Bank is not exactly everyone's favourite these days, is it?

JOHNSON: It is not. I think it has gone through some changes. I think Jim Wolfensohn, its President, has a very clear vision of what he has seen for the bank as a knowledge bank, an information bank. It has over struck me having spent twenty years in the Bank, that we have these enormous reservoir of information and knowledge and we were never effectively using it. I think that's beginning to change. Morale in any transition – morale is low. That I think we have overcome that to a large degree. So now I am very, very optimistic about the Bank and I think it is moving very, very much in the right direction.

WATSON: Remember these conferences held at the UN about the issue of sustainable development, it always tends to break down into a North/South Divide where what comes to the developing world saying: 'Oh, it's the same old story, we got told. Don't make all the mistakes that we made up in the North and if you behave yourselves, you will get some money.' That's a problem, isn't it?

JOHNSON: I would not characterize – I have not been to perhaps enough UN meetings, I would not characterize it that way.

BONE: How lucky for you.

JOHNSON: I think clearly, there are debates between North and South that need to occur, clearly in the climate change arena. That is a case in point where a debate is needed. I think increasingly what has to be done is to say that the costs of not taking environment, the costs of not being concerned about social issues as they relate to sustainable development are so great that if you don't really look at them carefully in your own national context, they will undermine your efforts over time – to be sustainable and to have a sustainable development strategy. That to me is much lesser than North/South confrontation. But I would agree that where there are global environmental issues, there still is some way, some bridge building is needed between North and South especially on climate change issues.

MENON: How about climate change in .... the major things which GEF – Global Environment Facility -- of the World Bank dealt with, which region do you think is the most environmentally challenged as it were?

JOHNSON: I think each region has different types of problems. I think one of the things we have to be very, very concerned about, and I say this without too much evidence, I think the issue of land degradation, the loss of soil cover, the loss of the quality of soil is a profoundly important issue and it is an issue particularly affecting Africa.

MENON: Is this what we call desertification?

JOHNSON: This is why it has been called desertification I think it is rather a Morpheus term but it really is about the quality of land and the returns to land and I think that is an area that must trouble us deeply.

MENON: Do you think there is much money going into that problem?

LITTLEJOHNS: Mr. Johnson, that's all the time we have. Thank you for being with us on this edition of **World Chronicle**. Our guest has been Ian Johnson, Vice President for the Environmentally and Socially Sustainable Development Network of the World Bank. He was interviewed by Bhaskar Menon of *International Documents Review* and Rob Watson of the *BBC*. I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle.**